



General Assembly

January Session, 2011

Raised Bill No. 6467

LCO No. 3641

* ____HB06467HSG__031011____*

Referred to Committee on Housing

Introduced by:
(HSG)

***AN ACT CONCERNING AN EXPANSION OF THE CONNECTICUT
HOUSING FINANCE AUTHORITY'S HOMEOWNER'S EQUITY
RECOVERY OPPORTUNITY LOAN PROGRAM.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 8-265ss of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2011*):

3 (a) As used in this section:

4 (1) "Authority" means the Connecticut Housing Finance Authority
5 created under section 8-244;

6 (2) "Mortgage" means a mortgage deed or other instrument [which]
7 that constitutes a first or second consensual lien on one-to-four family
8 [owner-occupied] residential real property located in this state,
9 including, but not limited to, a single-family unit in a common interest
10 community, securing a loan made primarily for personal, family or
11 household purposes;

12 (3) "Borrower" means (A) the owner-occupant of a one-to-four
13 family residential real property located in this state, including, but not

14 limited to, a single-family unit in a common interest community, who
15 has a mortgage encumbering such real property, or (B) the owner of a
16 one-to-four family residential real property, including, but not limited
17 to, a single-family unit in a common interest community, who has a
18 mortgage encumbering such real property and is rehabilitating or
19 renovating such real property with the intention of selling such
20 property to an owner-occupant;

21 (4) "Lender" means the original lender under a mortgage, or its
22 agents, successors or assigns; and

23 (5) "HERO program" means the Homeowner's Equity Recovery
24 Opportunity loan program.

25 (b) The authority is authorized to develop and implement the
26 HERO program as an additional purpose pursuant to the provisions of
27 subdivision (32) of section 8-250. The HERO program shall be
28 undertaken by the authority consistent with and subject to its
29 contractual obligations with its bondholders in an initial amount of
30 thirty million dollars.

31 (c) On and after July 1, 2008, the authority shall implement the
32 HERO program in accordance with this section. Said program shall
33 offer, within available funds, financing through the following
34 mechanism: The authority shall purchase mortgages directly from
35 lenders and then place borrowers it determines to be eligible on an
36 affordable repayment plan or make mortgage loans to borrowers who
37 it determines to be eligible and who purchase foreclosed or abandoned
38 properties, [or] properties conveyed by deed in lieu of foreclosure or
39 short sale, or vacant or blighted properties. All borrowers approved by
40 the authority for the program shall attend in-person financial
41 counseling at an authority-approved agency.

42 (d) A HERO loan shall: (1) Be a mortgage for up to thirty years in an
43 amount determined by the authority; (2) provide an interest rate at an
44 amount determined by the authority; (3) be serviced by the authority

45 or its agents; and (4) have property taxes and insurance, including
46 mortgage insurance, homeowner's insurance and, if applicable, flood
47 insurance, included in the borrower's monthly payment amount.

48 (e) For purposes of the HERO program, the authority shall purchase
49 mortgages directly from lenders and make a HERO loan available to
50 borrowers whose mortgages have been purchased by the authority
51 and who have been determined by the authority to be eligible. A
52 borrower shall be eligible if the HERO loan is in the first lien position,
53 and if, in the authority's determination, the borrower has: (1) Made an
54 effort to meet his or her financial obligations to the best of the
55 borrower's ability; (2) sufficient and stable income to support timely
56 repayment of a HERO loan; (3) legal title to the mortgaged property
57 and resides in it as the borrower's permanent residence; and (4) if the
58 borrower has stopped making monthly payments, the ability to
59 account for the borrower's cash flow by showing how those funds
60 were escrowed, saved or redirected. The authority shall make a
61 determination of eligibility for the HERO program no later than thirty
62 calendar days after the date of receipt of the borrower's application.

63 (f) The borrower shall apply for a HERO loan on the form provided
64 by the authority. The borrower shall complete and sign the application
65 subject to the penalty for false statement under section 53a-157b. Any
66 borrower who misrepresents any financial or other pertinent
67 information in conjunction with the filing of an application for a HERO
68 loan may be denied assistance. The borrower shall provide the
69 authority with full disclosure of all assets and liabilities, whether
70 singly or jointly held, and all household income regardless of source.
71 For purposes of this subsection, both of the following are included as
72 assets:

73 (1) The sum of the household's savings and checking accounts,
74 market value of stocks, bonds and other securities, other capital
75 investments, pensions and retirement funds, personal property and
76 equity in real property including the subject mortgage property.
77 Income derived from family assets shall be considered as income.

78 Equity is the difference between the market value of the property and
79 the total outstanding principal of any loans secured by the property
80 and other liens.

81 (2) Lump-sum additions to family assets such as inheritances,
82 capital gains, insurance payments included under health, accident,
83 hazard or worker's compensation policies and settlements, verdicts or
84 awards for personal or property losses or transfer of assets without
85 consideration within one year of the time of application. Pending
86 claims for such items must be identified by the borrower as contingent
87 assets.

88 (g) On or before July 1, 2008, the authority shall adopt procedures in
89 accordance with section 1-121 to implement the provisions of this
90 section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2011	8-265ss

HSG ***Joint Favorable***